

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



March 12, 1990

ALL COUNTY INFORMATION NOTICE NO. I-18-90

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: NATIONAL INFORMATION CAMPAIGN ON THE FEDERAL EARNED
INCOME TAX CREDIT

REFERENCE: ACIN NO. I-21-89 DATED MARCH 21, 1989

The purpose of this letter is to transmit reproducible copies of the Earned Income Tax Credit (EITC) factsheet and flier. The EITC factsheet and flier were prepared in conjunction with a national information campaign on the EITC coordinated by the Center on Budget and Policy Priorities. The campaign's intent is to educate low income families about the EITC requirements, and the process for getting a refund from IRS. Recent legislation provides for a disregard of EITC as income in determining eligibility and benefits for the AFDC, Food Stamp, and Medi-Cal programs. Therefore, recipients of these programs will benefit by applying for and receiving EITC payments.

Counties are encouraged to reproduce and disseminate the EITC factsheet and/or flier to clients requesting information regarding the EITC. However, these materials are not required forms, and will not be stocked by the State Department of Social Services. Copies of the EITC flier in English and Spanish are attached. Translated versions of the EITC flier in other languages will be forthcoming under separate cover.

If you have any questions regarding this letter, please contact Sandra Poole-Taylor of the AFDC and Food Stamp Policy Implementation Bureau at (916) 324-2661 or ATSS 454-2661.

for Robert A. Horel
for ROBERT A. HOREL
Deputy Director

Attachments

cc: CWDA

EARNED INCOME CREDIT FACT SHEET

Eligibility Requirements for the Earned Income Credit

The Earned Income Credit (EIC) is a tax credit for working families that have both earned and adjusted gross income (in 1989) of less than \$19,340 and that have at least one child living at home for at least half of the year.

The credit is "refundable." This means that eligible low income working families can benefit from EIC **even if they owe no federal income tax or have no income tax withheld**. Eligible families that owe no income tax receive a check from the Internal Revenue Service in the amount of their credit.

But to receive this check, eligible families **must file a federal income tax return**.

Eligible families do not even need to claim the EIC on their 1040 or 1040A tax forms. As long as these families file the return, the IRS will calculate their credit for them and send them a check.

Those who do not owe any taxes can file their tax return at any time -- they will not be penalized if they miss the April 15th deadline.

If a family does owe federal income tax, the EIC will reduce the amount that it owes. If the family is entitled to an EIC that is larger than the amount of income tax it owes, the family's tax will be reduced to zero and the IRS will issue the family a check for the remaining amount of its EIC.

If they choose, eligible families may receive their EIC throughout the year in their regular paychecks rather than waiting to claim it on their tax return. Employees who wish to have the EIC payments added to their regular paychecks should ask their employer for a W-5 form, complete the form, and file it with their employer. If an employee eligible for the EIC does file the W-5 with the employer, the employer is required to add the employee's EIC payments into the employee's paychecks during the course of the year. The employer then simply subtracts this amount from the amount of income and payroll tax it would otherwise deposit with the IRS. (For more information on how to receive the EIC in regular paychecks, see the separate fact sheet on this issue.)

Eligible families may also file for retroactive EIC payments from the last three years if they have not already filed income tax returns for those years.

Today, nearly 11 million low income families are eligible for the EIC.

Why the Need for a Campaign on the Earned Income Credit?

Informing low income families about the credit -- and the need to file a federal tax return to receive it -- is more important now than ever before. This is true for two reasons. The federal Tax Reform Act of 1986 eliminated federal income tax liabilities for millions of low income working families; these provisions took full effect in 1988. As a result, many more low income working families now owe no federal taxes. A substantial number of these families may think there is no reason to file a tax return, especially if they receive a W-2 form from their employer that shows no federal income tax to have been withheld. If they fail to file a return, however, they lose the EIC to which they are entitled.

THE
EARNED
INCOME
CREDIT
CAMPAIGN

THE EARNED INCOME
CREDIT CAMPAIGN

A PROJECT OF
THE CENTER ON BUDGET
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Also, the EIC has been greatly enlarged. Most working families earning between \$6,000 and \$11,000 in 1989 now qualify for a credit of more than \$800. The maximum EIC benefit for 1989 is \$910.

Legislative History of the EIC

The Earned Income Credit was created by Congress in 1974. It was designed to offset the regressive impact of Social Security payroll taxes on working poor families. The EIC also serves as an incentive to work and earn income.

Between 1975 and 1986, the EIC eroded substantially in value as the federal government failed to keep it current with inflation. But the Tax Reform Act of 1986 reversed this process and greatly expanded the value of the EIC.

NOTE: In 1989, the U.S. Congress considered but did not complete action on legislation further expanding the EIC. It is widely expected that the Congress will enlarge the EIC substantially this year -- increasing benefits for working poor families and increasing federal EIC dollars going into state and local economies.

The Benefits of the EIC

To State and Local Governments and Residents

- Increased receipt of the EIC boosts state and local economies. In 1989, over \$5 billion in federal EIC funds flowed into the 50 states, assisting nearly 11 million American families. Most EIC benefits are spent locally.
- If more working poor families file federal income tax returns and receive EIC benefits, the poverty of these families will be lessened. This can reduce somewhat the need for increased public services, and therefore can benefit state and local governments from a fiscal standpoint.
- The EIC is a work incentive. It helps ensure that the benefits of work surpass the benefits of public assistance.

To Corporations and Business

- EIC benefits boost the effective return that employees receive for their work at no additional cost to employers.
- EIC benefits increase the purchasing power of low income consumers.

How Can Eligible Families Find Out More Information on the EIC?

The Center on Budget and Policy Priorities is spearheading a national public education campaign. Many social service organizations, labor unions, employers, churches, charities, community and neighborhood organizations and government entities are part of this effort.

Low income families are encouraged to ask their employer about the EIC, to call their local Internal Revenue Service office, or to call the IRS toll free hotline at **1-800-424-1040**. Individuals may also contact local volunteer IRS tax clinics (Volunteer Information Tax Assistance or VITA offices) during the tax filing season -- call the number listed in your phone book for the local IRS office or call the toll free number listed above.

YOU'VE EARNED MORE MONEY THAN YOU THINK

The **EARNED INCOME CREDIT**—It's Money With Your Name On It.

You're probably eligible for the federal government's **EARNED INCOME CREDIT** if you're a working parent with at least one child at home and you earned less than \$19,340 in 1989.

This means as much as \$910 in your pocket. A check could be sent directly to you — from the IRS.

You can get a check *even if you earned too little to owe any income tax.*

The **EARNED INCOME CREDIT** is easy to get. No lines to stand in. No red tape. All you need to do is file a federal income tax return (form 1040 or 1040A).

You don't even need to claim the **EARNED INCOME CREDIT** on your tax return. If you file a return, the IRS will figure out your credit for you.

Collect your **EARNED INCOME CREDIT**.

It's for working families like yours — because you earned it.

If you earned too little to owe income tax, the IRS will send you a check. If you owe income tax, the **EARNED INCOME CREDIT** reduces what you pay.

There's another way to get your **EARNED INCOME CREDIT**. Your employer can add it to your pay over the course of the year.

For more information, ask your employer or call the IRS toll free at **1-800-424-1040**.

THE
**EARNED
INCOME
CREDIT**
CAMPAIGN

A campaign made possible by the generous support of advocacy, business, labor, non-profit, and religious organizations and of state and local officials.



USTED HA GANADO MAS DINERO DE LO QUE PIENSA

EL CREDITO POR INGRESO DE TRABAJO — Dinero que a usted le pertenece.

Es probable que usted sea elegible para recibir el **CREDITO POR INGRESO DE TRABAJO** (EARNED INCOME CREDIT) del gobierno federal si es padre o madre que trabaja, tiene al menos un hijo viviendo en casa y en el año 1989 ganó menos de \$19,340.

Esto significa hasta \$910 en su bolsillo. Un cheque le podría ser enviado directamente por la OFICINA DE RENTAS INTERNAS.

Usted puede recibir un cheque *aunque sus ganancias sean tan bajas que no tenga que pagar impuestos.*

El **CREDITO POR INGRESO DE TRABAJO** es fácil de obtener. No tiene que esperar en ninguna fila. Sin ningún papeleo. Lo único que necesita hacer es llenar su planilla de declaración de impuestos federales (formulario 1040 o 1040A).

Ni siquiera tiene que anotar su **CREDITO POR INGRESOS DE TRABAJO** en su planilla de declaración de impuestos. Si usted llena su planilla, la Oficina de Rentas Internas (IRS) le calculará su crédito.

Reciba su **CREDITO POR INGRESO DE TRABAJO.**

Es para familias trabajadoras como la suya porque usted lo merece.

Si sus ganancias han sido tan bajas que no debe ningún impuesto, la Oficina de Rentas Internas (IRS) le enviará un cheque. Si usted debe impuestos, el **CREDITO POR INGRESO DE TRABAJO** reducirá su deuda.

Hay también otra manera de obtener el **CREDITO POR INGRESO DE TRABAJO**. Su patrón puede añadirlo a su sueldo durante el año.

Para más información, comuníquese con su patrón o llame a la Oficina de Rentas Internas gratuitamente al teléfono **1-800-424-1040**.

CAMPAÑA PARA EL CREDITO POR INGRESO DE TRABAJO

Esta campaña ha sido posible gracias al apoyo generoso de organizaciones defensoras de los derechos del pueblo, organizaciones comerciales, laborales, no lucrativas y religiosas, y también de funcionarios del gobierno local y el estatal.

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